

Farm Tenancy

practices changing in relationship between farm owner and tenant

R. L. Adams

Economic conditions affecting renting and leasing of California agricultural properties have changed during recent years.

Today leasing practices are—or should be—affected by:

1. Extension of mechanization which affects the expenses involved in producing crops;
2. The increasing importance of maintaining the crop-producing power of the soil;
3. Extension of irrigated farming;
4. Changes in various cost items;
5. A need for better living conditions for tenants;
6. Changes in farming enterprises and practices with accompanying effect upon costs and incomes;
7. A continuing need for equitable sharing of income in terms of each party's contribution of capital, labor, other outlays and responsibility.

Cash Rents

In general cash rents today are markedly larger than during the period immediately preceding World War II.

The increase in rent rates for vegetable, cotton, alfalfa, and tomato lands is particularly marked.

Livestock men are continuing to offer high rents because of the drouth prevailing up to the middle of March and the outlook for continuing high prices for beef and lamb. The same appears true of dairymen.

On the other hand, some cash leases of orchards and vineyards, and occasionally other crops, have been reduced or shifted from a cash to a share basis because of the lowering of prices paid during the harvest season of 1947.

Share Rents

Because share rents directly reflect yields and prices, the proportion of income-sharing by landowners and tenants tends to remain fairly static. In times of marked prosperity—or depression—the share may be altered.

Comparing share rents of 1948 with those in effect immediately prior to World War II indicates the only changes of moment to be an increase of about 10% in the tenants' share of deciduous fruits.

Calculating Cash Rents

On the whole not only has the use of improved methods of calculating rents—share and cash—not made headway, but in some instances it has been abandoned where originally used, due no doubt to the demand for properties to an extent that both landowners and tenants prefer to speculate on a predetermined rental rate rather than to seek greater long-range stability.

Some increase has occurred in use of the variable scale method of setting rents. This method consists of a periodic determination of a rental based on prices obtainable for the farm products during the period for which the rent is calculated. The rental rate is stipulated at the time of drawing up the lease, but determining the actual cash rent to be paid is postponed until some future time such as monthly, quarterly, semiannually, or annually.

Today the variable factors which enter into the setting of a variable or sliding scale are yields and prices. As yet little or no account is taken of varying costs. When costs are added then a more workable plan than that now in use will be evolved.

Lessors and tenants in the Imperial Valley are experimenting with a five- and 10-year lease on the better lands by setting the rate of rent in terms of interest on farm capital.

Changes

Changes in security of tenure which favorably affect tenants include longer leases and adequate notice of termination of lease.

Investigators to improve tenancy recommend continuous occupancy unless notice to discontinue be served four to six months prior to a definitely stated termination date.

Granting that long-term leases can be of benefit to both tenants and lessors, more attention should be given in providing for compensation in the event either party terminates a lease without good cause.

In this connection note should be made of the changing of tenants to effect desired rotations.

Due to unprecedented demands for

farms to rent or lease there is little incentive to provide better quarters for tenants. The wise landowner will be forehanded in making needed improvements to assist in getting and holding tenants once the present demand slackens. However, these improvements must add to the profitability of the farm.

Under the share method of renting, improvements that add to the production or selling price of farm commodities are of direct benefit to both the landlord and the tenant.

Father-Son Agreements

During the past few years agreements between father and son have become fairly prevalent. These father-son agreements provide for active participation in management—as well as manual work—by both father and son as contrasted with outright leasing of property to son by father.

In California, reports from a number of counties indicate an increase in use of these agreements. In other areas the preference appears to be directed to outright renting or leasing the property to a son rather than to retaining the father-son relationship.

Less Recording of Leases

Inquiring of a number of county recorders indicates that but few leases are now being recorded, less than were found in earlier studies of this kind. The principal reason for nonrecording appears to be the result of the depression years around 1933 when tenants were unable to meet the terms of their leases and quit, thus leaving a cloud upon the title.

R. L. Adams is Professor of Farm Management, Agricultural Economist in the Experiment Station and on the Giannini Foundation, Berkeley.

CALIFORNIA AGRICULTURE

Progress Reports of Agricultural Research, published monthly by the University of California College of Agriculture, Agricultural Experiment Station.

Harold Ellis Director
Agricultural Information
W. G. Wilde Editor
M. C. Keatinge Assistant Editor

CALIFORNIA AGRICULTURE will be sent free upon request to the University of California College of Agriculture, 331 Hilgard Hall, Berkeley 4, California

Permission to reprint any or all of the material in CALIFORNIA AGRICULTURE is hereby granted.

In order that the information in CALIFORNIA AGRICULTURE may be simplified, it is sometimes necessary to use trade names of products or equipment. No endorsement of named products is intended nor is criticism implied of similar products which are not mentioned